



HOUSING AND COMMUNITY DEVELOPMENT PROGRAM

Housing Finance Guidelines

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HOUSING AND COMMUNITY DEVELOPMENT PROGRAM HOUSING FINANCE GUIDELINES

I. Overview: Funding and Project Selection

Funding Sources

The Housing and Community Development Program(HCD)/Housing Finance Program (HFP) Section administers capital funding sources for affordable housing governed by federal, state and local laws and plans, depending upon the source. Federal funding sources include the HOME Investment Partnership Program (HOME), and Community Development Block Grant (CDBG) Program. Local funding sources include the Regional Affordable Housing Program (RAHP) and the Homeless Housing Document Recording Fee Surcharge Revenue (2331), both of which are derived from state laws authorizing the collection of document recording fee surcharges at the local level. In addition, a portion of the voter-approved Veterans and Human Service Levy funds are administered through HCD/HFP.

Each funding source must conform to policies set forth in its enabling legislation, but these laws do not cover every administrative issue. There is room for some level of local discretion within statutory directives, and local plans and guidelines are adopted, as appropriate.

Forms of Financial Assistance

For rental housing projects, HCD/HFP financial assistance will generally be provided via a non-amortizing loan with a term of fifty years. Loans are generally payable in full upon sale, change of use, or at the end of the term. In some cases financial assistance may be provided as a low-interest amortizing loan, if the project can support it.

For homeownership projects, loan terms will vary depending upon the design of the project and will have terms of up to 30 years. Down payment assistance loans will be deferred payment loans, due upon sale or refinance. HCD may require interest and/or shared appreciation, depending upon program design, for homeownership projects.

King County will secure its interest in funded projects by recording a deed of trust, promissory note, and covenant restricting use and resale of the property, if applicable. In the event of a default, the County contribution to the project is subject to repayment along with a proportionate share of net appreciation accrued to the property.

All HCD/HFP contracts include a “project exhibit” or scope of services defining the population served, supportive services provided, if any, and maximum rents and income levels. All projects that provide supportive services must also submit a management plan. Housing sponsors are required to report annually on housing units, residents served, and supportive services, if applicable, for the term of the contract.

Project Selection Process

Every year the HCD/HFP holds a pre-application process in advance of, and as a pre-requisite to, the submission of a full application that responds to the HCD/HFP Affordable Housing Capital Notice of Funding Availability (NOFA). The NOFA is released once per year in the late summer or early fall.

The HCD Program will review capital pre-applications for any site-specific risks that are identifiable prior to a phase one environmental review. Pre-applications may be required to provide evidence that the project can secure appropriate insurance at the level required by King County Risk Management. If evidence of ability to secure insurance cannot be provided, the project will not be invited to submit a full application. If insurance can be obtained, the cost of insurance will be reviewed as part of the feasibility analysis of the application.

All applications receive careful review for feasibility and consistency with Housing and Community Development Program plans, guidelines and policies. This review is conducted under the direction of the Director of the Department of Community and Human Services. The first level of review includes the following participants:

- Housing and Community Development Program staff
- Members of the Inter-Jurisdictional Advisory Group (city staff), and fund source oversight boards
- Experts in housing finance and construction (advisory committee)
- Experts in housing-related supportive services, as needed.

Following this review, HCD staff prepares recommendations for the *Joint Recommendations Committee* (JRC). The JRC includes representatives from King County and Cities within King County. The full JRC recommends allocations of RAHP, Homeless Housing (2331), HOME and Veterans/Human Services Levy funds, while King County JRC members recommend allocations of HIPDD funds. Projects funded with CDBG are selected by CDBG Consortium JRC representatives.

JRC recommendations are reviewed by the Director of the Department of Community and Human Services for final approval. The Director will inform all applicants of project decisions. HOME and CDBG funding awards are then published for a 30-day public comment period in the amended Action Plan for the King County HOME and CDBG Consortia. The Director may, if requested, review reconsideration requests concerning funding decisions. Applicants wishing to request reconsideration must submit a written request to the Director within ten working days following notification of funding decisions.

Evaluation Criteria

Projects must meet program priorities and funding regulations of the various sources. Projects are evaluated based on the following factors:

- Magnitude of need and compatibility with fund priorities
- Appropriateness of the site, structure, and program design for the proposed residents
- Financial feasibility of the project
- Feasibility of project design and scope of work

- Capability and experience of the sponsor
- Capability and experience of the development team
- Cultural competency.

Applicants are not encouraged to direct their proposals to a specific fund source, as HCD/HFP staff, and the Joint Recommendations Committee (JRC) will determine the source of funds awarded to projects. In addition, HCD/HFP reserves the right not to recommend award of all available funds if submitted proposals do not meet the criteria for evaluation and funding. Funds not allocated during one funding round may be awarded during a subsequent funding round for new proposals. In the case of HOME funds, federal deadlines for commitment of funds may require reallocation of housing development funds if implementation of the project is significantly delayed.

II. Housing Finance Guidelines

Many of the funds administered by the HCD/HFP are subject to laws, regulations and plans established at the federal, state or local level, as well as guidelines developed by HCD staff in consultation with consortium city staff and stakeholders, which are reviewed and adopted by the inter-jurisdictional Joint Recommendations Committee (JRC). HOME Program guidelines that are within the discretion of the HOME Consortium and King County are reviewed by the King County HOME Consortium member staff and recommended for approval by the JRC. Regional Affordable Housing Program (RAHP) guidelines that are within the discretion of the RAHP Consortium members are reviewed with participating city staff and recommended to the JRC for approval.

Specific guidelines for the use of King County funds, such as Mental Health Division funds, Housing Innovations for Persons with Developmental Disabilities and other county funds are reviewed and approved by the Director of the Department of Community and Human Services (DCHS). General guidelines related to the Veterans and Human Service Levy are reviewed and adopted by the respective Levy Citizen Boards. King County funds are used in coordination with all other funds administered by HCD/HFP and are subject to the discretionary guidelines in this document.

A. Guidelines Set by Federal, State or Local Laws and Plans

Eligible Applicants

The following types of organizations are eligible to apply for housing development funds:

- Public housing authorities
- Nonprofit organizations
- Local governments
- Community Housing Development Organizations (CHDOs)
- For-profit developers (limitations apply).

Partnerships are encouraged among local governments, public housing authorities, other nonprofit housing developers, for-profit developers, and service providers in order to produce the greatest number of units for the most reasonable public investment, and to provide appropriate supportive services to residents with special needs.

Primarily Religious Organizations Eligible for Certain Fund Sources

Per a federal Executive Order, federal funds (HOME or CDBG) allocated by HCD/HFP may be awarded to primarily religious organizations that consider religious affiliation as a hiring factor, however, there are rules and requirements that such organizations must observe in developing and operating the housing. For example, staff who manage the housing development process, manage the housing after it is built and in operation, and provide services that are necessary for the tenants of the housing must be hired through a strictly non-discriminatory process that does not consider religious affiliation. A religious organization need not necessarily create a wholly secular entity, independent of the religious organization, but must hire all staff that work on the housing project throughout the contract period through a non-discriminatory process. In addition, the completed housing project must

be available to all persons regardless of religion, and there must be no religious or membership criteria for tenants of the property.

Local funds administered by HCD/HFP (all funds other than HOME and CDBG) are subject to the non-discrimination requirements of the King County Code and may not be awarded to an organization that hires through a process that considers religious affiliation as a factor for any positions hired in any part of the organization.

Eligible Beneficiaries and Affordability Requirements

Criteria for eligible beneficiaries are established in federal, state or local law and regulations for most fund sources administered by HCD/HFP. Within the broad range established by these laws and regulations, local administrators may prioritize distinct populations and income groups, as long as the income level served does not exceed the income limit imposed by law/regulation. For example, HOME funds for rental housing may serve individuals or families with incomes up to 60 percent of area median income (AMI), but HCD/HFP staff may recommend, and the JRC may approve, projects that target populations at or below 40% of area median income. All projects supported by federal funds administered by HCD/HFP must provide housing that is affordable to income-eligible households according to income limits that are set every year by US Department of Housing and Urban Development (HUD). See Table 1 for affordability guidelines.

In addition to the incomes limits established by each fund source, HCD staff will review each proposed project to assure that proposed rents are significantly below the market rate for the area, so that the housing will provide opportunities not otherwise available in the community. Information regarding market rents is available from HCD staff.

Rent, including utilities, may not exceed 30 percent of the maximum monthly income level established for each assisted housing unit. The maximum allowable rents each year will be based on King County household income guidelines published annually by HUD. Rents in projects that receive HOME funds may be subject to more restrictive rents, per information available annually from HUD. In projects where housing will be rehabilitated, rents charged after rehabilitation should not exceed prior rent levels.

Table 1
Affordability Guidelines by Source of Funds

Veterans and Human Services Levy and 2331 Funds for Homeless Housing	Community Development Block Grant (CDBG)	HOME Investments Partnership (HOME)	Regional Affordable Housing Program (RAHP)	Housing Innovations for Persons with Developmental Disabilities (HIPDD)
<p>Renters - households with incomes up to 50% of AMI who are:</p> <ul style="list-style-type: none"> • Chronically homeless veteran households and other chronically homeless households with intensive service needs. • Homeless households (veterans and others) that have a moderate need for services. 	<ul style="list-style-type: none"> • Renters - families and individuals up to 80% of AMI, including those with special needs • Homeownership housing and assistance for homebuyers, primarily first-time buyers, up to 80% of AMI 	<ul style="list-style-type: none"> • Renters - families and individuals up to 60% of AMI, including those with special needs • Homeownership housing and assistance for homebuyers, primarily first-time buyers, up to 80% of AMI 	<ul style="list-style-type: none"> • Renters - families and individuals up to 50% of AMI, including those with special needs • Homeownership housing, primarily for first-time buyers, up to 50% of AMI 	<ul style="list-style-type: none"> • Renters - individuals with developmental disabilities with incomes up to 50% of AMI • Homebuyers, primarily first-time homebuyers, with developmental disabilities that have incomes up to 80% of AMI

Eligible Project Categories

Criteria for eligible activities that can be supported by funds administered in HCD are established by law/regulation for most fund sources. Eligible activities cannot be expanded, but can be restricted in accordance with local priorities. Eligible activities include the following:

- Projects that increase the supply of rental housing affordable to low-income or special needs households.
- Projects that preserve existing affordable housing likely to be lost due to conversion to other uses or because of health and safety hazards. Preservation projects are defined as: 1) projects that will preserve units that will be lost due to conversion to other uses; or 2) projects where health and safety hazards put households at risk of losing their homes.
- Projects that create home-ownership opportunities for income eligible homebuyers, primarily first-time homebuyers.

Eligible Housing Types and Uses of Funds

Eligible projects must: (1) increase the supply of rental housing affordable to low-income or special needs households, (2) preserve existing affordable housing for very low to moderate-income households that would otherwise be lost, or (3) create home ownership opportunities for eligible homebuyers, primarily first-time homebuyers. Preservation projects are defined as projects that will preserve units that would be lost due to conversion to other uses or projects where health or safety hazards put households at risk of losing their homes. Funding is available for the following housing project types and development activities (not listed in order of priority):

- permanent non-time limited rental housing units with supportive services
- permanent low-income rental housing units
- homeownership housing units
- acquisition and rehabilitation of existing housing units that will be made permanently affordable
- new construction of housing units
- relocation costs (not HIPDD)
- site improvements
- capitalized replacement reserves
- capitalized operating reserves (limitations apply)
- CHDO capacity-building activities (HOME only, see below)
- down payment assistance, homeownership education and counseling (HOME and CDBG only).

Tenant Displacement and Relocation

Where possible, applicants are encouraged to propose projects that prevent or minimize displacement, such as acquisition of vacant properties, properties being voluntarily sold by an owner-occupant, rehabilitation projects that require only temporary relocation, or new construction projects. If federal HOME or CDBG funds will be used in a project that involves acquisition of a property with residential or commercial tenants, federal Uniform Relocation Act or Section 104(d) requirements must be met (see Appendix G of the King County Consortium's Consolidated Housing and Community Development Plan for federal requirements.) If only local funds will be used, relocation assistance will be provided to tenants according King County's Local Relocation Guidelines, which can be found in Attachment C of this guidelines document. Applicants whose projects involve acquisition of properties with existing residential or commercial tenants, or demolition of any housing, must work with the HFP Relocation Specialist.

Community Housing Development Organization (CHDO) Capacity-Building Activities

Agencies that are certified CHDOs may apply for up to \$30,000 for operating support. The funds must be used for activities that will enhance the capacity of the organization to develop and/or manage housing. Requests for operating support must be made in conjunction with a capital project application or in support of a previously funded project or projects. CHDOs can use the operating funds to pay for board and staff training, project development costs, staff costs, legal fees, and consultant services eligible under HOME. CHDO agencies are eligible for up to two \$30,000 operating support awards if all requirements are met. See contact persons on the HCD website for more information and additional detail in Appendix A.

Match Requirements

The HOME program requires that the participating jurisdiction (PJ) contribute at least \$0.25 for every \$1.00 of HOME funds expended during the federal fiscal year.

Subsidy Limits

The HOME program caps per unit subsidies by the bedroom size of the units per Section 221(d)(3), and publishes the limits annually. HCD staff will apply the applicable HOME per unit subsidy caps to projects funded with HOME funds.

Project Consistency with the Consolidated Housing and Community Development Plans

Projects assisted with HCD/HFP funds must be consistent with the strategies of the King County Consortium's Consolidated Housing and Community Development Plan ("Consolidated Plan"). In addition, projects in unincorporated areas must comply with the King County Comprehensive Plan or with applicable local comprehensive plans if located within a city, and must meet all local zoning and building code requirements. Site locations accessible to services, jobs, transportation, and amenities are encouraged.

Current priorities of the Consolidated Plan include the following:

1. Priorities for Households Served (not in any particular order):

- Households at or below 50 percent of area median income (AMI)
 - Households with Special Needs
 - Homeless housing - the Consortium will follow the recommendations of the Committee to End Homelessness (CEH), in the CEH “Ten Year Plan to End Homelessness”, incorporated herein by reference, and the Committee to End Homelessness Funder’s Group. The CEH prioritizes permanent supportive housing and housing that allows households to “transition in place”¹ over new transitional housing and new shelters.
2. Acquisition and Rehabilitation of market-rate rental property to improve the quality of existing rental housing stock and preserve it as affordable for very low- to moderate-income households:
 - Units serving households at or below 30 percent AMI are the highest priority
 - Units serving households from 31 percent to 50 percent AMI
 3. New construction of rental housing that is affordable to very low- to moderate- income households:
 - Units serving households at or below 30 percent AMI are the highest priority
 - Permanent supportive housing is a high priority
 - Units serving households from 31 percent to 50 percent AMI
 4. Mixed-income and/or mixed-use housing projects that complement local planning efforts and contain some portion of units for very low-income households:
 - Mixed Income projects provide a means to generate cash flow from some units to support much-needed very low-income units, which are a priority under this plan; mixed income projects should be socially and economically integrated.

In making housing project funding decisions the Consortium will consider the fact that larger capital awards may be necessary to produce housing units serving the needs of the lowest-income households, as well as the fact that there may be higher costs to acquire property in areas of the County that are less affordable to very low- to moderate-income households. These factors may reduce the number of units funded and/or created annually.

In addition, projects must comply with the King County Comprehensive Plan or applicable local comprehensive plans, and must meet all zoning and building code requirements of the local jurisdiction. Projects accessible to services, jobs, transportation, and amenities are encouraged. Each fund source has restrictions and priorities related to the location of the proposed project:

¹ Transition-in-place” means that a household can stay in their current housing unit when they “graduate” from the need for transitional services; the service provider may then shift the transitional services to another unit in the same housing complex for a newly housed, formerly homeless household.

Allowable Project Locations by Fund Source

Veteran and Human Services Levy (V-HS Levy) – projects may be located anywhere in King County, including the City of Seattle. V-HS Levy funds are prioritized for projects that serve chronically homeless veteran households and other chronically homeless households with intensive service needs, as well as homeless households (veterans and others, including young adults) that have a moderate need for services.

Document Recording Fee Surcharge for Homeless Housing (2331) – projects may be located anywhere in King County, including the City of Seattle. This source prioritizes projects targeting chronically homeless households or households with the greatest barriers to securing and remaining in permanent housing with high service needs; homeless and vulnerable households, and households with a history of rental instability or other barriers with moderate to low service needs.

RAHP - projects may be located throughout King County, within jurisdictions that have signed the RAHP agreement, including the City of Seattle. RAHP Guidelines contain equitable geographic distribution goals for funds over a 5-year period through sub-regional distribution targets.

HIPDD - projects may be located anywhere in King County, including the City of Seattle. The specific geographic distribution of projects and funds will vary depending on need, opportunities, project feasibility and the availability of funds.

HOME - projects must be located in unincorporated King County or in jurisdictions outside Seattle that are members of the King County HOME Consortium. Consortium guidelines require equitable geographic distribution of projects and funds across the Consortium. In any given year, however, the specific geographic distribution of projects and funds will vary depending upon needs, opportunities, project feasibility, and the availability of other funding. HOME funds may not be spent in jurisdictions that are not members of the King County HOME Consortium (see the HCD website for up to date information regarding Consortium members.)

CDBG - projects must be located in unincorporated King County or in jurisdictions outside Seattle that are members of the King County CDBG Consortium. CDBG funds may not be spent in jurisdictions that are not members of the King County CDBG Consortium (see the HCD website for up to date information regarding Consortium members), and there are limitations on spending CDBG funds in jurisdictions that receive their own direct CDBG entitlement.

B. Discretionary Guidelines

Funding Award Limits

HCD/HFP funds are intended to leverage other housing funds in order to maximize the available resources for housing, particularly in areas of King County outside Seattle where assisted housing choices are limited. Sources of leverage include public and private grants, loans, equity investments and in-kind contributions. A total HCD/HFP award generally may not exceed 50 percent of the total development budget, with exceptions considered on a case by case basis. Fund source limits are described in Table 2. HOME restrictions in excess of local policy are required by law/regulation.

Table 2 Funding Award Limits by Fund Source		
CDBG, V-HS Levy, RAHP and 2331	HOME	HIPDD
Limit is generally 50% of total development cost per unit. <i>Exceptions will be considered on a case-by-case basis.</i>	Limit is generally 50% of total development cost, up to a set maximum amount of funding per unit, as determined by HUD, based on the bedroom size of each unit funded. The maximum subsidy per unit is set every year by HUD ² , thus, the following chart is presented only as an example: 0 bedroom = \$142,727 1 bedroom = \$163,612 2 bedrooms = \$198,952 3 bedrooms = \$257,378 4 bedrooms = \$282,523 Note: If State HOME funds are also used in a project, these maximums will be applied to the combined HOME award of the State and County HOME Consortium.	Limit is \$50,000 per unit maximum.

²

Affordability

Below market rate rents - Proposed rents generally must be below the market rate for the area in which the project is located so as to provide an affordable housing opportunity not otherwise available in the community. Exceptions may be granted if there is a compelling reason; an exception will be reviewed as part of the project selection process. Information regarding market rents is available from HFP staff.

Mixed Income Projects - Housing projects that include units affordable to a range of household incomes are eligible for all fund sources. HFP funds will be used exclusively for the assisted units within the project that meet fund source requirements. Mixed income projects (serving households up to 60 percent of median income) are specifically encouraged under the HOME guidelines to allow leveraging of federal low-income housing tax credits.

Rental Housing Affordability Requirements - Rent, including utilities, may not exceed 30 percent of the maximum monthly income level established for each assisted housing unit. The maximum allowable rents each year will be based on King County household income guidelines published annually by HUD. In projects where housing will be rehabilitated, rents charged after rehabilitation should not exceed the prior rent levels.

Ownership Housing Affordability Requirements - Maximum sales prices will be established for housing developed for eligible homebuyers, taking into account household incomes, current interest rates, a low or no down payment, and typical lending qualification guidelines. Ownership pricing is based on mortgage, taxes and insurance payments that do not exceed 30% of the maximum monthly income level established for each assisted housing units. The project must assure that housing will remain affordable to eligible households for the term of the agreement, or that subsidy funds will be recaptured upon resale to allow development of additional affordable housing.

Housing for Persons with Special Needs

Most fund sources administered by HFP may be used to create housing for persons with special needs including individuals with chronic mental illness or in recovery from substance abuse issues, victims of domestic violence, individuals with HIV/AIDS, victims of traumatic brain injuries, individuals with developmental disabilities or who are physically challenged, frail elderly, youth, and veterans.

Agencies using Housing Finance Program funds to provide housing units for persons with developmental disabilities must sign referral agreements with the State Division of Developmental Disabilities (DDD). These agreements must be approved by both HFP and DDD. In addition, HFP requires all providers of housing for tenants with DD to sign an agreement with the on-site service providers in a form approved by HFP and DDD outlining the responsibilities of the service provider with regard to helping tenants maintain the property in good condition and alerting the property owner about any potential maintenance or repair issues.

- Eligible persons - Households with one or more member who receive services through the Washington State Department of Social and Health Services (DSHS) Region 4 Division of Developmental Disabilities (DDD).
- Median income levels - Households with incomes at or below 30 percent of area median income.

- Maximum subsidy amount - The maximum subsidy amount is \$50,000 per unit.
- Number of set aside units - The set-aside units should total no less than two units per project, and no more than five units for projects with 50 units or less, or no more than ten units for projects with more than 50 units.
- Size of units - The set-aside units can be studios or 1, 2, 3 or 4-bedroom units, with a priority for 2-bedroom and larger units.
- Universal Design - The DD set-aside units shall include universal design features. Applicants must complete and include with their funding application a universal design checklist, identifying the universal design elements that will be included in the project.

Funding Awards

King County HCD staff will determine the source of funds awarded to any project. If any conflict arises due to the availability of funds, King County will give precedence to projects according to Consolidated Plan and Combined NOFA priorities in effect at the time of the funding round. HCD/HFP reserves the right not to recommend awards for all available funds if submitted applications do not meet the criteria for receipt of capital funding. In the case of HOME funds, federal deadlines for fund commitment may require recapture of funds if implementation of a project is significantly delayed.

Amendment Policy

An amendment request to increase the contract amount for a project or to change the effective dates for a project will be considered on a case-by-case basis. In considering an amendment, the basic nature of the project and the qualifications for the residents to be served may not have materially changed, and the total funding award, including any amendment, must still meet HFP program requirements. For example, the total HFP award with an amendment generally may not exceed 50 percent of the total project budget or the maximum amount per housing unit permitted for a particular fund source. Exceptions may be granted on a case-by-case basis.

Project amendment requests will be evaluated based on the following criteria:

- Applicants requesting additional funds must submit revised development and operating budgets showing the difference between original estimates and current projections. The applicant must explain the impact on the project if additional funds are not made available, and must demonstrate that additional funds are necessary.
- The applicant must provide an evaluation of all available fund sources, applicant contributions, and budget adjustments that potentially could make up the budget shortfall. The applicant must make every reasonable effort to leverage other public and private funding, reduce costs, or otherwise materially contribute to reducing the newly identified funding gap.
- The applicant must explain the extent and reasons for the budget increase, and must demonstrate that any project changes and increased costs do not diminish the ability of the development team to complete the project successfully.

- The amendment recommendation will take into consideration, among other things, the urgency of the need for HFP funding, impact of the amendment on the geographic distribution of funds, and any effects on other competing requests for project amendments.

Applicants for project amendments will be directed to submit project information sufficient to evaluate the request based on the above criteria. If additional funds are justified, HFP staff will recommend an award, depending on fund source availability, eligibility of the project for the fund source or sources, and previous source(s) of funds awarded to the project.

For a proposed amendment request that exceeds 50 percent of the original award, HFP staff will prepare a recommendation for action by the JRC at a regularly scheduled meeting. If the amendment request is for less than the above amount, the recommendation for additional funding will be prepared for a decision by the DCHS Department Director, and a status report to the JRC will be provided at the next scheduled JRC meeting.

Five percent of the total amount of HFP funds available through the regular funding round will generally be reserved for project amendments, if feasible. At the time of the funding round each year, staff will recommend a specific amount of each fund source to be reserved to the JRC. The amount of funds recommended for reserve may change over time based on such factors as the utilization of reserve funds the previous year, status of previously funded projects, and competition for current year funds. At the time of the funding round, reserved funds not needed for project amendments in the previous year may be allocated to projects in that year's funding round.

Contingent Awards

In any given funding round, it may happen that there are more capital projects that present very strong applications than can receive funding awards. A project that ranked very high but cannot be funded in a given round due to the limitation in funds available may be recommended to the JRC as a contingency project. If more than one project is recommended as a contingency project, the projects shall be ranked in order of priority.

A contingency project will only receive a funding award if funds become available during the ensuing year through recapture of funds, including project under-expenditures, through supplemental budget authority, or through a source of funds not known to be available at the time of the funding round.

If sufficient funds do become available to meet the request of a project placed on the contingent award list by the JRC, the project will be subject to a full updated review by HCD staff. The JRC will be briefed on the project as soon as feasible following HCD project review.

A project that received a contingent award and does not receive full funding by the time of the next funding round will be prioritized for funding in that round, provided that an updated application is submitted and the application remains highly rated.

Major Repair/Rehabilitation Loan Program for Existing Affordable Housing Projects

The Housing Finance Program maintains a loan program to support the occasional need for major repairs and rehabilitation of existing affordable housing projects (see Rental Rehabilitation Guidelines in Appendix B). This program is intended to provide low-cost loans to owners of projects in need of

repair or maintenance, where project reserves are not adequate to cover the need and/or where to project owner lacks access to affordable capital. In many cases, needed repairs are identified based on annual inspections performed by the HCD/HFP Asset Manager. In other cases, an agency may identify major capital repairs or replacements perceived as necessary and report them to HCD staff.

The Major Repair/Rehabilitation Loan Program is subject to the availability of funds. Depending on what is known regarding project need, HCD staff may recommend a reservation of funds for this program out of the funds available in any annual funding round, or the program may be chosen as a contingency project to receive recaptured funds. Due to the fact that some fund sources managed by HCD/HFP carry restrictions on their eligible uses, recaptured funds will be assessed for suitability by the major repair project manager and the asset manager.

Transfers, Assumptions, and Refinancing of HFP Contract Obligations

The DCHS Director may permit the transfer and assumption of a HCD/HFP loan from one entity to another, with a related transfer of the property acquired, constructed or rehabilitated with the proceeds of a HCD/HFP loan, without requiring repayment of principal, interest or other amounts owing under the loan at the time of the transfer, under the following circumstances:

1. The loan is assumed by a tax credit entity and the entity makes a substantial equity investment in the low-income housing.
2. The property is transferred by a tax credit entity to a nonprofit corporation or public agency, including a transfer to the general partner or manager pursuant to the terms of an option agreement made in connection with the formation of the tax credit entity.
3. The property is transferred to a qualified nonprofit corporation or public agency without substantial consideration to the transferor other than assumption by the transferee of outstanding obligations.

Prospective new owners must complete a transfer of ownership application.

DCHS participation in project equity (contingent interest) shall be required for all rental development and preservation projects in the event of change of use or transfer/sale of property before the loan maturity date. Upon transfer/sale, change of use, acceleration or prepayment of the loan, loan principal plus the greater of either deferred interest or contingent interest shall be due. Contingent interest shall be calculated according to a formula established by DCHS³.

Contractor Selection, Contracting, and Construction Management

Contractor Selection – HCD/HFP strives to ensure fair contracting methods and competitive pricing in the construction of affordable housing. Agencies awarded affordable housing capital funding shall select contractors through an open competitive process or a competitive bid process open to pre-

³ Contingent interest will reflect the amount of departmental funds contributed as permanent financing to a project and will be modified by any additional funds contributed during the loan term, such as capital contributions approved by DCHS or borrower subsidy necessary to cover operating losses. For example, if a loan is paid or becomes payable prior to the maturity date, DCHS should receive a proportionate share (the amount of the DCHS loan divided by total debt in the project) of the proceeds remaining after repayment of the loan principal in addition to the repayment of the principal.

qualified contractors. Agencies shall submit a summary of their proposed competitive selection process, and HCD reserves the right to review and approve the process prior to its implementation, including all bid documents. HCD/HFP may publish additional procurement requirements in its NOFA.

Contracting - In contracting with firms involved in executing a construction project, agencies may propose to use one of a number of contract types, subject to review and approval by HCD. Contract types that may be appropriate, depending on the nature of the project, include Cost Plus Fee with a Guaranteed Maximum, Fixed Price/Stipulated Sum, or other. The contract with the general (prime) contractor and any amendments to the contract shall be submitted to HCD prior to execution.

Construction Management - Applicants proposing to manage their own projects must demonstrate capacity to HCD. Such applicants must have prior experience managing projects of a comparable scope and complexity, and must be able to demonstrate that they have staff available for the necessary work and the time required. If applicants do not have sufficient in-house construction management capacity, they will be required to contract for this service.

Sustainable Design and Development

Sustainable development can be defined as "...Development that meets the need of the present without compromising the ability of future generations to meet their own needs", according to the World Commission on Environment and Development. Out of concern for both present and future generations, all rental housing projects funded by the County must follow the Washington State requirements for Evergreen Sustainable Development Standards as a minimum. These standards were made applicable by the state legislature to all projects funded by the Washington State Housing Trust Fund by RCW 39.35D.080. Full details on the Evergreen Standard are available through the Washington State Department of Commerce at this web address - <http://www.commerce.wa.gov/site/1027/default.aspx>.

The criteria that comprise the Evergreen Standard were extensively reviewed by stakeholders, and applied as a first step in setting a standard for affordable housing development funded by King County. The Evergreen Standard is subject to periodic updating by the Department of Commerce, so it is the responsibility of prospective applicants to remain up to date on its requirements. Within the Evergreen Standard, there are 70 criteria, of which 33 are mandatory, (not all apply to every project) and 37 are optional. An appropriate number of points is assigned to each criterion to provide numerous ways to accumulate the necessary point total to pass the threshold. New construction projects must earn at least 50 points, rehabilitation projects must earn at least 40 points, and all projects must meet the applicable mandatory criteria. The County reserves the right to provide preference in funding to projects that show the greatest creativity and commitment to sustainable design in their application of the Evergreen Standard. Prospective applicants are encouraged to consult with County staff if they have questions about which optional Evergreen Standard criteria are considered to be the most significant.

Prospective applicants should consider the Evergreen Standard as the minimum level of sustainable design that qualifies a project for funding. HCD encourages non-profit agencies to go beyond the Evergreen Sustainable Development Standards to achieve Built Green four-star rating, Leadership in Energy and Environmental Design Silver Rating, or the equivalent. Projects aspiring to incorporate higher standards of sustainability - defined primarily in terms of durability, low maintenance, and extreme energy efficiency - are encouraged, and they may receive preferential recommendations in the County's annual funding rounds. Projects that can convincingly demonstrate a potential for

significantly higher standards of performance at a cost comparable to the existing average per-unit development cost may receive preference, depending on consistency with other priorities of the funding round.

Management Plan

Consistent, comprehensive and considerate property management is crucial to the success of each affordable housing project funded by the Consortium/County. Project owners will be required to submit a property management plan specific to each real property location. For acquisition and rehabilitation of an existing building, a management plan will be due by the “End Date” as specified in the contract project exhibit. For new construction projects, the due date will be not later than three months from the certificate of occupancy date. The management plan must include the following elements at a minimum.

- A general description of the physical environment, including the type of housing, number and size of units, type of unit, amenities such as common space, playground, etc., accessibility, and other important characteristics.
- The proposed tenant population including household composition, demographics, number of households.
- A description of any housing program services offered as part of the project, including supportive services, if needed, and information about how services will be delivered who will deliver the services.
- A detailed discussion of the Agency’s response to the requirement for housing and services to be offered in a culturally competent manner.
- A narrative giving further details on the proposed management and operation of the premises including a description of the management entity, staffing, and key roles; tenant selection and eligibility determination; marketing plan; rules for operation of the premises and enforcement procedures; procedures for dealing with tenant complaints including community involvement (community relations – connect to section below) ; description of security and emergency plans; and maintenance and repair program, with examples of schedules, forms or documentation that will be used.

Community and Neighbor Relations

Project sponsors are encouraged to undertake activities to establish and maintain positive relationships with neighbors of assisted housing. HCD/HFP staff will offer guidance in designing a community relations process and will provide referrals as needed. This process typically includes introducing the agency; describing the proposed project; providing information about the client population; inviting input from neighbors; and facilitating community meetings as needed. If requested, HCD/HFP staff may also provide names of other agencies that have developed successful community relationships, and may attend community meetings at the request of the project sponsor. This process is voluntary and funding decisions will not be conditioned upon community response or the choice to pursue a community relations process. In addition, some agencies may choose to initiate fewer community contacts to protect the privacy and confidentiality of the residents.

Employment and Training Opportunities

For housing projects where the total project construction costs are 250,000 dollars (\$ 250,000.00) HCD/HFP encourages agencies to engage the use of apprenticeship training programs. HCD/HFP will require agency awardees to report progress in attempting to select prime contractors who will hire apprentices enrolled in an approved apprenticeship program and who will procure sub-contractors who will hire apprentices enrolled in an approved apprenticeship program as described in RCW 39.04.300 through 39.04.320.

HCD will require agency awardees to make contact with the King County Work Training Program (WTP) to discuss whether it is feasible to hire WTP participants who are engaged in pre-apprenticeship and certificated environmental cleanup and green jobs training for any piece of the project, as some pieces of the project may be more suitable for WTP participants than others.

APPENDIX A
HOME Investment Partnerships Program (HOME) Guidelines and Requirements
(Revised by JRC as of 9/15/2004)

The federal HOME Program was created to stimulate new kinds of public/private housing partnerships and to maximize the effectiveness of existing resources which are being applied to develop affordable housing. HOME provides local governments with the flexibility to decide what kind of housing assistance, or mix of housing assistance, is most appropriate to meet local housing needs. The following local guidelines were approved by the Joint Recommendations Committee for use of HOME funds in the King County HOME Consortium. The Joint Recommendations Committee periodically updates these policies pursuant to the HOME Consortium Interlocal Cooperation Agreement.

Overall Design Policies and Requirements of the HOME Program

The statutory focus of the HOME Program is to create affordable permanent housing for low and very-low income residents. Of the total annual allocation received by King County, up to 10 percent can be used to cover administrative costs. A portion of the HOME funds are also used for homeowner and investor-owner housing repair.

The balance of the funds is available through a competitive process for development of permanent affordable housing, either rental or homeownership across the King County. At least 15 percent of the annual allocation must be set aside for particular types of nonprofit housing providers called "Community Housing Development Organizations" (CHDOs). HOME funds may be used to develop affordable rental housing and promote homeownership opportunities through acquisition (real property acquisition as well as purchase assistance to homebuyers), site improvements, new construction, and rehabilitation. These funds may also be used to pay for development soft costs including finance costs, predevelopment costs, and relocation costs.

Mixed Income and Mixed Use Projects

Mixed income projects may be eligible for HOME assistance as long as a minimum of 20 percent of the units are targeted and affordable to extremely low-income households with incomes at or below 50 percent of median. While the HOME Consortium encourages mixed income projects, applicants are cautioned that relocation may be an issue. Applicants are advised to consult with King County staff on mixed income projects.

For purposes of meeting the HOME affordable housing requirements for a project, the particular units counted for purposes of HOME may change over the period of affordability so long as the total number of affordable units remains the same, and the substituted units are comparable in size, features, and number of bedrooms to the originally designated HOME units.

Mixed-use projects are eligible if a minimum of 51 percent of the project space constitutes residential space. HOME funds will be available for assistance only in proportion to the percent of low-income units in the project.

Homebuyer Assistance

HOME funds may be used to provide homebuyer assistance, primarily for first-time homebuyers, to households whose income is at or below 80 percent of the King County area median income as defined annually by HUD, who will occupy the housing as their principle residence. Participation by nonprofit, for-profit or public entities to provide homeownership assistance is encouraged. Participants will be expected to:

- Income qualify potential homebuyers
- Provide needed homeownership education and counseling
- Partner with or provide affordable mortgage programs
- Monitor long-term affordability requirements including recapture or resale restrictions depending upon the design of the homebuyer assistance program
- Track the recapture of HOME funds
- Provide demographic data on homeowners assisted with HOME funds as required by HUD.

Homeownership activities supported with HOME funds must:

- Ensure that potential homebuyers are screened for income eligibility and potential success as a homeowner
- Preserve long-term affordability (minimum of 15 years for existing units or 20 years for new units)
- Include resale restrictions which recapture HOME contribution when homes are sold during period of affordability for use in another HOME-eligible activity or by another eligible homebuyer.

In addition, homebuyers should have a household income of at least 50 percent of median income unless the homeownership program can demonstrate that the homebuyers will be successful homeowners through the provision of intensive one-on-one training and/or counseling on the responsibilities and rights of homeowners. This will ensure that assisted buyers will be more likely to maintain their homes, keep up with monthly payments, and be prepared to budget successfully for increases in property taxes and insurance. Homeownership assistance programs using HOME funds must conduct targeted outreach to residents and tenants of public and manufactured housing, and to families assisted by public housing agencies to ensure that HOME funds are used to the greatest extent possible to assist these households.

Education and counseling activities will only be funded in conjunction with a homeownership program or project (e.g., down payment assistance, new construction). Funding for homeownership education and counseling activities will not exceed \$25,000 per program or project, and the total funds available for these activities annually will not exceed 5 percent of the funds available in the competitive pot.

Opportunities for homeownership can be developed or preserved through:

- use of limited equity cooperative model or community land trust model
- use of a sweat equity model
- a nonprofit organization partnering with for-profit organizations to develop a first-time homebuyer program serving a neighborhood or community
- revolving loan funds to be used for down payment assistance or mortgage subsidy through a second or third mortgage
- nonprofit acquisition of a mobile home park in danger of conversion to another use in order to maintain its long-term affordability.

Proceeds from repayments of loans to assisted homebuyers will be used for another HOME-eligible activity (pursuant to the Multifamily Housing Property Disposition Reform Act of 1994) or to assist another eligible homebuyer. The monitoring of the recapture of HOME funds or subsequent re-sales and long-term affordability must be addressed in each project.

Eligible HOME Costs

HOME funds may be used to pay development hard costs for the construction and rehabilitation of houses. HOME funds may be used in rehabilitation projects to meet the applicable rehabilitation standards of the County and other Consortium jurisdictions or to correct substandard conditions, to make essential improvements including energy-related repairs or improvements, improvements necessary to permit the use by handicapped persons, and the abatement of lead-based paint hazards, and to repair or replace major housing systems in danger of failure.

New Construction or Rehabilitation Costs

Within both new construction and rehabilitation, HOME funds can pay costs to demolish existing structures for improvements to the project site and costs to make utility connections. Within new construction projects, HOME funds can cover the cost of an initial operating deficit reserve, reserve for replacement payments, and debt service. Projects, which are awarded HOME funds for new construction, must begin construction within 12 months of executing a contract with King County.

Acquisition and Development Soft Costs

HOME funds may cover the cost of acquiring improved or unimproved real property and the following related soft costs: architectural, engineering or related professional services, impact fees, costs to process and settle the financing for a project, costs for a project audit, costs to provide information services such as affirmative marketing and fair housing information and relocation costs.

Homeownership Assistance

Under homeownership activities, HOME funds may be used to a) provide down payment assistance which either reduces the amount of down payment and/or closing costs; b) reduce the monthly carrying cost through a direct mortgage loan to the homebuyer; c) provides an interest subsidy buy-down to the first mortgage lender; d) provides gap financing (covering the difference between the amount payable

by the homebuyer and the amount of permanent lender financing; or e) provide donated or discounted land or property for development. The choice of strategy depends upon the geographic area and number of households to be served. (See Assistance for First-Time Homebuyers above)

Community Housing Development Organization (CHDO) Set-aside

The federal regulations require that 15 percent of the HOME allocation be set aside for capital projects by Community Housing Development Organizations (CHDOs). The King County Consortium has also chosen to use a portion of its HOME funds for operating support of CHDOs to support capacity development. This entails an initial allocation to a designated CHDO, not to exceed \$30,000, which must be spent over two years and used specifically to develop operational capacity for the development and successful implementation of a capital housing project. A subsequent request for up to an additional \$30,000 may be awarded on a case by case basis if the CHDO adequately demonstrates an additional need for operating support to develop and manage housing in King County. Requests for CHDO operating support must be associated with a capital project application or in support of a previously funded project or projects. Funds can be used to cover staff costs, board and/or staff training, limited use of consultants; and operating expenses. CHDOs wishing to apply for capacity building support will need to submit a detailed plan of how these funds will enable them to achieve self-sufficiency and/or greater productivity and enhance their ability implement an affordable housing project.

A CHDO is defined as a private nonprofit organization that:

- Is organized under State or local laws.
- Has no part of its net earnings inuring to the benefit of any member, founder, contributor, or individual.
- Is neither controlled by, or under the direction of, individuals or entities seeking to derive profit or gain from the organization. A community housing development organization may be sponsored or created by a for-profit entity, but:
 - i. The for-profit entity may not be an entity whose primary purpose is the development or management of housing, such as a builder, developer, or real estate management firm.
 - ii. The for-profit entity may not have the right to appoint more than one-third of the membership of the organization's governing body. Board members appointed by the for-profit entity may not appoint the remaining two-thirds of the board members.
 - iii. The community housing development organization must be free to contract for goods and services from vendors of its own choosing.
- Has a tax exempt ruling from the Internal Revenue Service under section 501(c) of the Internal Revenue Code of 1986.
- Does not include a public body (including the participating jurisdiction) or an instrumentality of a public body. An organization that is State or locally chartered may qualify as a CHDO; however, the State or local government may not have the right to appoint more than one-third of the membership of the organization's governing body and no more than one-third of the board members can be public officials.

- Has standards of financial accountability that conform to Attachment F of OMB Circular A-110 (rev.) “Standards for Financial Management Systems”.
- Has among its purposes the provision of decent housing that is affordable to low-income and moderate-income persons, as evidenced in its charter, articles of incorporation, resolutions, or by-laws.
- Maintain accountability to low-income community residents by:
 - i. Maintaining at least one-third of its governing board’s membership for residents of low-income neighborhoods, other low-income community residents, or elected representatives of low-income neighborhood organizations. For urban areas, “community” may be a neighborhood or neighborhoods, city, county, or metropolitan area; for rural areas, it may be a neighborhood or neighborhoods, town, village, county, or multi-county area (but not the entire state), provided the governing board contains low-income residents from each county of the multi-county area.
 - ii. Providing a formal process for low-income program beneficiaries to advise the organization in its decisions regarding the design, siting, development, and management of affordable housing.
- Has a demonstrated capacity for carrying out activities assisted with HOME funds. An organization may satisfy this requirement by hiring experienced accomplished key staff members who have successfully completed similar projects, or a consultant with the same type of experience and a plan to train appropriate key staff members of the organization.
- Has a history of serving the community within which housing to be assisted with HOME funds is to be located. In general, an organization must be able to show one year of serving the community before the date the participating jurisdiction provides HOME funds to the organization. However, a newly created organization formed by local churches, service organizations, or neighborhood organizations may meet this requirement by demonstrating that its parent organization has at least a year of serving the community.

Maximum and Minimum HOME Subsidies Per Unit

The per-unit cost limits have been set at the limits established under 221(d)(3)(ii) of the National Housing Act (12 U.S.C. 17151(d)(3)) that apply to the area in which the housing is located. These limits are provided by the Department of Housing and Urban Development and may be adjusted in high cost areas.

Since HOME funds are intended to attract other contributions to permanently affordable housing, the Consortium’s subsidy per unit will generally not exceed 50 percent of the total per-unit cost, regardless of the maximum noted above. A unit is defined as anything in which a household can reside, ranging from a single-room occupancy hotel unit, to a single-family home, or a three-bedroom apartment. If multiple households share a single-family house, the house is counted as one unit.

The maximum HOME subsidy that may be provided for each project is established by HUD, updated annually, and is not reduced by the presence of Low Income Housing Tax Credits. The regulations specify this provision to prevent the layering of federal funds beyond the amount required to make a

project financially feasible. The request for proposal will list the current maximum HOME subsidy by bedroom size.

The minimum level of HOME funds for rehabilitation projects is an average of \$1,000 per unit.

Duration of Low-Income Benefit

All HOME recipients must be both able and willing to establish a legally binding public interest. The public interest will be secured through a lien on the property recorded as a mortgage, and a promissory note explaining the sale and change of use provisions. The project will remain affordable secured by deed restrictions for not less than 20 years after completion (referred to as the compliance period); and will be ineligible for additional HOME dollars during the compliance period. Monitoring will occur at intervals determined by the project size.

Property Standards

At a minimum, housing units assisted with HOME funds must meet the Uniform Housing Code. Rental housing rehabilitated with HOME funds must meet the Section 8 Housing Quality Standards. Projects involving substantial rehabilitation (greater than average of \$25,000 per unit total development costs) must also meet cost effective energy conservation and effectiveness standards. Newly constructed housing must meet the current edition of the Model Energy Code published by the Council of American Building Officials. Projects with operating budgets that include adequate maintenance reserves will be given priority to ensure that they can continue to meet property standards at least as long as the required period of affordability.

HOME Project Amendments

Housing projects receiving HOME funds may request an additional award of HOME funds to address unanticipated increased costs during development of the project. Applicants requesting a project amendment must show that the project has not substantially changed in scope. The nature of the project and the proposed residents to be served cannot have materially changed. In addition, the total fund award (including any amendment) must continue to meet fund sources requirements, including limits on the total award of HFP funds and the maximum amount of HOME funds per housing unit.

The project amendment will be evaluated based on the following criteria:

- Applicants requesting additional funds must submit revised development and operating budgets showing the difference between original estimates and current projections. The applicant must explain the impact on the project if additional funds are not made available, demonstrating that additional funds are necessary.
- The applicant must provide an evaluation of all available fund sources, applicant contributions and budget adjustments that potentially could make up the budget shortfall. The applicant must make every effort to leverage other public and private funding, reduce costs, or otherwise materially contribute to reducing the newly identified funding gap.
- The applicant must explain the extent and cause of the budget increase, and demonstrate that any project changes and increased costs do not diminish the ability of the development team to successfully complete the project.

- The amendment recommendation will take into consideration, among other things, the urgency of the need for HOME funding, impact of the amendment on the geographic distribution of HOME funds, and other competing requests for project amendments.

If the additional HOME award exceeds 50 percent of the original HOME award, the JRC must approve the amendment. If the HOME amendment is less than this amount, the Director of the Department of Community and Human Services must approve the amendment award.

Any reserved HOME funds, which are not needed for project amendments within a given year, will be allocated to projects in the following year's application round.

Recapture and Reallocation of HOME Funds

Federal regulations require that each program year's HOME allocation be committed to projects and start spending within 24 months. When necessary to commit unused funds or when funds must be recaptured from a project which is unable to use them within 18 months, the money will be recaptured and recommitted to other HOME-eligible activities. Funds recaptured from a CHDO must be reallocated to another CHDO.

Program Income and HOME

Any program income approved for inclusion with the HOME program or generated by HOME-assisted projects must be reported to King County and committed to eligible HOME activities.

Federal Matching Requirements

Matching requirements are program-wide and not project specific. Pursuant to the regulations, the match must be (1) a permanent contribution to the program, and (2) from non-federal sources. The match requirement is tied to the type of HOME activity. All acquisition, rehabilitation, new construction and first-time homebuyer activities will generate a 25 percent match obligation.

Projects with funding commitments from non-federal sources such as HOF, local general funds, or private funding, shall have **priority** for HOME funds.

In addition, projects with firm financial commitments will have priority over those with pending, tentative, or speculative commitments.

Examples of eligible forms of match include the following:

- Local or state general revenues
- Housing trust fund grants or the grant-equivalent of a below-market rate loan
- Foundation grants or donations
- State appropriations
- Excess reserves from housing finance bond issues
- General obligation bonds
- Interest rate subsidy achieved by exemption of state or local taxes

- Up to 50 percent of the proceeds from bond financing that is repayable with revenues from a multifamily affordable housing project financed, and up to 25 percent of the proceeds from bond financing that is repayable with revenues from a single-family project financed, provided that no more than 25 percent of the HOME Consortium match liability is funded with proceeds from bond financing
- The value of site preparation, construction materials, and donated/voluntary labor in connection with the site preparation and construction or rehabilitation of affordable housing
- Waived impact fees
- The value of donated land

Rental Housing

All rental projects have to meet the regulatory definitions of "affordable" to receive HOME funds. According to the HOME regulations, a rental housing project (including the non-owner occupied units in housing purchased with HOME funds) qualifies as affordable housing if:

- HOME rents will not exceed the lesser of 1) the Fair Market Rents (FMR) for an existing area for comparable project; as defined by HUD, or (2) 30 percent of the adjusted income of a family whose gross income equals 65 percent of the median income for the area as determined by HUD adjusted for the number of bedrooms in the unit.
- In the case of projects with five or more units, 20 percent of the HOME assisted units are either (1) occupied by extremely low-income families (below 50 percent of area median income adjusted for family size) which pay as contribution toward rent no more than 30 percent of their adjusted monthly income; or (2) occupied by extremely low-income families where rent for the units is not greater than 30 percent of the gross income of a family whose income equals 50 percent of the median income for the area, as determined by HUD.
- The balance of units in the HOME-assisted portion of the project are occupied only by households that qualify as low-income families with incomes not greater than 80 percent of the area median; the balance of the entire building units may have rents that are market rate.
- The HOME-assisted units can be leased to a holder of a certificate of family participation under the Rental Certificate Program or a rental voucher or to the holder of a comparable document evidencing participating in a HOME tenant-based assistance program.
- The HOME-assisted units will remain affordable pursuant to deed restrictions, for not less than 20 years beginning after project completion.

All rental projects are required to meet the minimum requirement of 20 percent of the units occupied by households whose income does not exceed 50 percent of the median for the area.

For projects involving rehabilitation only, the after-rehabilitation rents for HOME assisted units should generally not exceed before-rehabilitation rents. During the contract term, rents can be increased only to the extent allowed by HUD as determined by increases to the region's Fair Market Rents and incomes. Rents can theoretically decrease in a HOME assisted project if the regional median household incomes or Fair Market Rents decline.

Homeownership

Housing that is for acquisition by a family must be modest single-family housing (1 to 4 unit family residence, condominium unit, cooperative unit, combination of manufactured home and lot, or manufactured home lot). The housing must:

- have a purchase price that does not exceed 95 percent of the median purchase price for the area if newly constructed.
- have an after-rehabilitation value that does not exceed 95 percent of the median purchase price for the area if rehabilitated.
- have a mortgage limit which falls under Section 203(b) of the National Housing Act.
- be acquired by a homebuyer who qualifies as low-income.
- must be the homebuyer's principal residence throughout the period of affordability.

HOME funds will be subject to recapture provisions if the housing does not continue to be the principal residence of the family for the duration of the period of affordability. The amount subject to recapture is based upon the amount of HOME assistance that enabled the homebuyer to purchase the home. The recaptured HOME funds will be used for other HOME-eligible activities or to assist subsequent homebuyers, depending upon the design of the homeownership program.

Tenant and Participant Protections Required by HOME Program

Tenants are to be afforded certain protections in any HOME assisted project. The major tenant protections include the following provisions:

- Leases must be for a minimum of one year unless mutually agreed to by the owner and tenant.
- Restrictive provisions in the lease requiring the tenants to waive any rights is prohibited.
- An owner may not terminate tenancy or refuse to renew the lease except for violations of the terms of the lease or for violation of applicable federal, state or local law.
- An owner must have written tenant selection policies and criteria that are consistent with the purpose of providing housing for the extremely low-income and low-income families, are reasonably related to program eligibility and the applicants' ability to perform the obligations of the lease, give reasonable consideration to the housing needs of families that would have a Federal preference under section 6(c)(4)(A) of the 1937 Act, provide for selection of tenants from a written waiting list, and give prompt notification to any rejected applicant of the grounds for any rejection.

HOME regulations require CHDOs to submit a Tenant Participation Plan describing fair lease and grievance procedures and a program for ensuring tenant participation in management decisions. HCD staff will provide guidance to the selected CHDO(s) on the components of this plan after the project selection process is complete.

APPENDIX B

Rental Rehabilitation Program Guidelines

The Rental Rehabilitation Program is intended to provide low-cost loans to existing housing projects in need of repair or maintenance that lack access to affordable capital. The program is designed to serve two types of applicants: owners of larger multi-unit projects funded in part with public funds; and owners of smaller housing projects serving low-income tenants that do not already have public funds invested. The table below summarizes the basic characteristics of each sub-program.

Major Rehabilitation Loan Program	Minor Rehabilitation Loan Program
Eligible applicants <ul style="list-style-type: none"> • Non-profit and for-profit housing owners, projects with 12 or more units • Application through regular annual funding round 	Eligible applicants <ul style="list-style-type: none"> • For-profit housing owners, projects rehabilitating a maximum of 11 units • Open year-round application cycle
Maximum loan amounts <ul style="list-style-type: none"> • Non-profits - \$100,000 per agency/year (Loans greater than \$100,000 will be considered on a case-by-case basis) • For-profits - \$35,000 per agency/year 	Maximum loan amounts <ul style="list-style-type: none"> • \$10,000 per unit up to \$30,000 per agency per year (Loans greater than \$10,000 per unit will be considered on a case-by-case basis. Loans greater than \$25,000 using HOME funds are considered “major” with additional requirements as to environmental review and lead-based paint.)
Limits on project unit size <ul style="list-style-type: none"> • Non-profits – Max. 50 units or 50 beds (group homes) • For-profits – minimum 12 units, maximum 50 units 	Limits on project unit size <ul style="list-style-type: none"> • Maximum 11 units
Loan terms <ul style="list-style-type: none"> • Zero percent interest deferred payment loan, 5-year loan agreement if less than \$15K, other periods per HOME guideline • Borrower must leverage 50% of rehab costs (except for emergency repairs) • Rehabbing 4 units or fewer, must rent to tenants at or below 60% of AMI • Rehabbing 5 or more units, must rent to tenants at or below 50% of AMI • Exceptional loans (over \$100,000) will be subject to negotiated loan terms • Annual report required on tenant income and rent levels 	Loan terms <ul style="list-style-type: none"> • Zero percent interest deferred payment loan, 5-year loan agreement if less than \$15K, 10-year if over \$15K • No leverage requirement • Borrower must rent at least 50% of rehabbed units to tenants at or below 60% of AMI • Annual report required on tenant income and rent levels

Notes: These program guidelines are subject to amendments of the King County Code by the end of 2005. HOME funds cannot be awarded for rental rehabilitation loans to a project that is already funded with HOME funds.

Application Process for Rental Rehabilitation Funds

Applicants for major rental rehab loans will apply through the annual HFP funding round process. Applicants for minor rental rehab loans may apply at any time throughout the year. Applicants must provide the following items, with some applicable to for-profit owners (FP) and some to non-profit owners (NP):

A rental rehabilitation application signed by an authorized official or owner; authorization to verify credit information (FP only); a copy of the applicant's most recent audit (NP only); most recent federal income tax return with all schedules (FP only); board resolution to submit application with a list of board members (NP and corporations); 501(c)(3) tax letter (NP only); funding commitment letters (if applicable); any relevant project information, such as architectural drawings, bids or construction specifications (optional at discretion of HFP staff).

Rental Rehabilitation Priorities

Funds will be available on a “first-come, first-served” basis to non-profit as well as for-profit entities. The County has established a priority of uses for these funds:

1. Housing which has an existing King County, state or city investment and which is under a current long-term use restriction with a lien or other security
2. Any non-profit or King County Housing Authority-owned housing with an emergency repair need regardless of whether there is an existing King County, state or city investment in the housing
3. Any non-profit or for-profit owned housing with a repair need.

Rental Rehabilitation Loan Terms

Rental rehabilitation assistance will be available in the form of zero-interest; deferred-payment loans of up to \$30,000 per unit (major loans) with maximums of \$100,000 per agency per year (non-profits) or \$35,000 per agency per year (for-profits); or \$10,000 per unit (minor loans), with a maximum of \$30,000 per owner per year.¹

In the case of major loans and except for emergency repairs, the borrower must provide at least 50 percent of the cost of the rehabilitation. There is no matching requirement for loans made under the minor loan program.

Borrowers must meet income guidelines for the type of project and loan. Under the major loan program where four or fewer units are being rehabbed, these units must be rented to tenants with incomes at or below 60 percent of area median income (AMI). If five or more units are being rehabbed, units must be rented to tenants with incomes at or below 50 percent of AMI. Under the minor loan program, at least half of the rehabbed units must be rented to tenants with incomes at or below 50 percent of AMI.

Borrowers under the major loan program must agree to set up and maintain operating and replacement reserve accounts agreeable to the County.

¹ A group home is considered one unit. Until the County Code is updated, for-profits will be limited to \$14,999 per unit.

Borrowers must execute loan agreements secured by a lien, covenant, and promissory note agreeing to provide affordable rents and to maintain the housing in a decent, safe and sanitary condition for 25 years in the case of major loans and five years in the case of minor loans.

Loans will be due upon change of use (for example if the rents charged are no longer affordable to tenants at the prescribed income level); refinance; sale; or other change of ownership. Loans are assumable with County approval during the first 25 years.

If the use restriction is violated before the end of the 25-year period, the loan is due in full immediately with an added penalty of 1 percent of the principal per year of affordability left outstanding.

Income and Affordability Requirements

Rental rehabilitation projects must provide rental housing affordable to tenants with incomes that do not exceed the guidelines detailed above. Rent, including utilities, may not exceed the HOME program limits for tenants at 50 percent of median income, where applicable, or 60 percent of median, where applicable. The maximum allowable rents each year will be based on King County household income guidelines published annually by the US Department of Housing and Urban Development. In projects where housing will be rehabilitated, rents charged after rehabilitation cannot exceed the prior rent levels.

Rental Rehabilitation Eligible Housing and Activities

The following types of housing are eligible for rental rehabilitation loans: permanent housing, transitional housing, single-room occupancy housing, and group homes. Eligible housing **does not** include facilities such as nursing homes, convalescent homes, hospitals, residential treatment facilities, correctional facilities, or student dormitories. Eligible housing projects must preserve existing affordable housing or address health or safety hazards for households at risk of losing their homes, or both. Funding is available to remedy the following issues:

- Emergencies which render the unit uninhabitable, are life threatening, or are a health concern, including indoor environmental emergencies such as mold and lead paint remediation
- Major structural or mechanical system repairs
- Access for persons with disabilities
- Building preservation repairs
- Energy conservation repairs.
- All work (except emergencies) shall result in the property meeting at a minimum the HUD Section 8 Housing Quality Standards as amended.

Use of HOME funds for the Rental Rehabilitation Program

HOME funds can be used to construct an Accessory Dwelling Unit (ADU). An ADU is a separate housing unit, either inside, attached or detached from the primary home on the property. The ADU (or mother-in-law unit) contains separate eating, bathing and sleeping facilities.

Terms

- Borrower must contribute at least 50 percent of the cost of rehabilitation. This requirement may be waived for emergencies, ADU construction or small requests (under \$100,000 total) where owner shows an inability to leverage other funds or gain conventional financing.
- Borrower must agree to rent to tenants at or below 50 percent of median income.
- Borrower must agree that rents will not exceed the HOME program limits for tenants at 50 percent of median income.
- Borrower must agree to set up and maintain an operating and replacement reserve account agreeable to the County.
- Borrower must execute a loan agreement (secured by a lien, covenant and promissory note) agreeing to provide affordable rents and to maintain the housing in decent safe and sanitary condition for 25 years.
- ADU's only - Borrower must execute a loan agreement (secured by a lien and promissory note) agreeing to provide affordable rents and to maintain the housing in decent safe and sanitary condition for 5 years (amounts below \$14,999), 10 years (amounts between \$15,000 to \$30,000) or as long as the loan balance is outstanding whichever is greater.
- Funding will be provided in the form of zero-interest, deferred payment loans in amounts of up to \$30,000/unit.

The loan is due upon sale, transfer of title, conveyance (including devise or decent) change of use (e.g., if rents are no longer affordable), refinance, sale or other change of ownership. Except for ADU's the loan is assumable with County approval (along with the restrictions noted above) during the first 25 years.

If the use restriction is violated before the end of the 25 year period, the loan is due in full immediately, with an added penalty of 10 percent of the principal amount per year of affordability left outstanding.

Additional ADU terms:

- One of the units must be owner occupied.
- Staff determination of acceptable loan-to-value and debt-to-income ratios.
- Family members may occupy the ADU if they are not claimed as dependents and can document separate household income.
- No Section 8 Project Based assistance.

APPENDIX C

LOCAL RELOCATION GUIDELINES

The King County Consortium publishes its displacement practices and federal relocation requirements in our current Consolidated Housing and Community Development Plan pursuant to federal regulation. The relocation guidelines in this document are supplementary to the federal relocation requirements and primarily address relocation guidelines for projects that do not include federal funds, and the Consortium's use of CDBG funds for relocation only, which does not invoke the federal requirements.

Any agency considering a project involving property occupied by residential or commercial tenants is strongly encouraged to consult with King County's Relocation Specialist prior to submitting a funding application. Early consultation will assist the applicant in developing a budget and planning for implementation. Applicants for King County Consortium funding through the Housing Finance Program will be required to submit a realistic relocation plan supported by information about current tenants, comparable housing units, and current market rents.

The amount of relocation benefits that must be paid to displaced tenants, if any, will depend on the sources of public funding included in a project's development budget. The specific guidelines are presented below.

Displacement Practices

It is the King County Consortium's policy to fund projects that minimize displacement. Please refer to the Consortium's displacement practices in Appendix G of the current Consolidated Housing and Community Development Plan.

Local Relocation Guidelines

All projects that receive funding through the King County Housing Finance Program and will potentially displace residential and/or commercial tenants will be required to work with the King County Relocation Specialist.

a. Projects that Include Federal Funds

Projects that include or will include federal funding (HOME and CDBG), and will acquire, demolish, or rehabilitate property that has existing residential or commercial tenants, must follow the federal relocation requirements of the Uniform Relocation Assistance (URA) and the Real Property Acquisition Regulations for Federal and Federally Assisted Programs, as well as the Barney Frank Amendment, Section 104(d), if applicable. Please see Appendix G of the current Consolidated Housing and Community Development Plan for more information.

b. Projects that Include Washington State Housing Trust Fund Dollars

Projects that apply for funds through the Housing Finance Program and include or will include Washington State Housing Trust Fund (HTF) dollars, but do not include federal funding, must follow the relocation requirements of the HTF, which are substantially equivalent to the URA.

The relocation requirements of the HTF are in RCW 8.26, and can also be accessed via the web at <http://wsl.leg.wa.gov/pub/rcw>. Applicants should review these requirements carefully, as they are

very similar to the URA for displacement of residential tenants, but are more restrictive for displacement of commercial tenants. King County will require that applicants develop a relocation plan that conforms with the state requirements.

Note: If a project anticipates displacement of residential or commercial tenants and has both HTF and federal funding, the project must comply with the most restrictive regulations concerning displacement.

c. Projects that Include Local Funds Only – Local Relocation Guidelines

Projects that include or will include only local county funds (RAHP, Veterans and Human Services Levy, Mental Health, HIPDD Developmental Disabilities Funds, Homeless Housing Act Document Recording Fee or any other local funds used for housing capital) for the acquisition, demolition, and or rehabilitation of property that has existing residential tenants that may be displaced must follow the following local relocation guidelines.

Projects that voluntarily contract with the King County Housing Finance Program for housing project funding will be required to provide relocation benefits to all displaced households.

Effective November 1, 2010, the benefit amount for each displaced household will be \$2,700 per household, and will be adjusted annually based on the consumer price index.

Projects in this category will be required to provide notice to all existing tenants that mirror the requirements of section “d” below. A list of all displaced households, including name, unit number, household size, ethnicity, and monthly gross income must be provided to the King County Relocation Specialist along with documentation of all the payments made to displaced tenants. All relocation costs will be required to be included in the project development budget.

d. Projects that will not include funds from the Housing Finance Program and are applying for Tax Exempt Bond Financing or Low-Income Housing Tax Credits

The Washington State Housing Finance Commission (WSHFC) tax-exempt bond financing program and low-income housing tax credit (LIHTC) program require project sponsors to have a relocation plan approved by the local jurisdiction as part of the application process. The King County Consortium cannot require that projects in this category provide relocation benefits to displaced tenants, however, the project owner may elect to provide financial assistance to displaced tenants as a courtesy. Such assistance can minimize the severe impacts of displacement and potential negative fallout from those impacts.

The King County Consortium encourages that, whenever possible, conversion of an apartment community to a low-income housing project be attempted without relocation of any tenants, through naturally occurring unit “turnover” (i.e., when a non-qualified tenant moves out of the project, the vacant unit is held open until a qualified low income tenant is found to reside in the unit).

Relocation should occur only to the extent necessary to allow the project owner to meet the requirements of the project’s “Terms of Compliance”.

The King County Consortium requires that projects in this category provide the following notices and procedures for tenants:

Notice of Project Conversion

Immediately after closing on the project, and no later than 10 days after closing, an open letter from the owner to all residents of the project will be delivered to each household. The letter will explain that the project is being converted to affordable housing units, and will explain what information is needed for income verification to verify if tenants will be eligible for the new affordable housing. The letter will give the deadline to receive income verification information, and will state the possibility that some residents may be asked to relocate. Further, tenants will be informed that they may be asked to relocate if they do not comply with the income verification request. The letter should also specify the time and location of a meeting to further explain the process of project conversion and to address individual questions.

Relocation Tenant Selection

A relocation tenant is a tenant who has been requested to cease tenancy of the subject property by the owner of the property for the specific purpose of compliance with an affordable housing program or to rehabilitate the unit.

Tenants who voluntarily decide to move from the project because it is being converted to an affordable housing project, or for any other personal reason, are deemed to do so as their own free will and choice, and therefore are not subject to any further notification requirements.

Relocation tenants will be selected from a list of non-qualified tenants, whose incomes exceed the income limits of the program. A qualified tenant is a tenant whose income meets the income level of the program. Qualified tenants should not be relocated unless it is necessary to accomplish rehabilitation of their unit.

Non-qualified tenants should be selected on the following basis:

- Non-responding tenants: tenants who do not respond to repeated request for income verifications, or are unwilling to participate in income verification procedures, should be the first Relocation Tenants.
- Volunteers: tenants who offer to relocate should be selected next.
- Income: tenants with the highest incomes should be the next group asked to relocate.

Households with children, elderly or handicapped tenants should be last when selecting Relocation Tenants.

Notice to Relocate

All tenants selected for relocation will be given formal notification regarding the need to relocate with a minimum of ninety (90) days notice of the date they must relocate, along with information about why they were selected. Consideration of a longer notice period may be granted if the tenant demonstrates a special circumstance (for instance, health reasons) which would be alleviated by extending the notice period.

Documentation

The owner must provide copies of all notices sent to tenants and a list of all tenants that were displaced by the project to the Housing Finance Commission.

Approval of Relocation Plan

In order to receive an approval of relocation plan from the King County Consortium, a project must submit a plan that is substantially in compliance with this section (d) and includes all notices required by this section.

Guidelines for Using Federal CDBG Funds for Relocation Only

Federal regulations permit King County Consortium CDBG funds to be used, in specific circumstances, to pay relocation benefits to tenants displaced by otherwise non-federally-assisted projects. Federal URA and Barney Frank Amendment requirements do not apply when CDBG funds are used in this manner.

The following guideline will apply if the King County Consortium elects to provide CDBG funds to a project for relocation assistance only.

The award of relocation must meet a national CDBG objective in that either: (1) relocation payments are made directly to very-low to moderate-income people or (2) the subsequent use of the property benefits very low- to moderate-income people.

- If federal funds are used to pay relocation costs, the project must be located within King County's CDBG or HOME Consortium areas.
- The project sponsor is responsible for screening tenants and must provide documentation to King County to show income eligibility, if income screening is necessary to meet the national objective.
- The project sponsor must provide the grantee with a list of names and addresses of the eligible households along with documentation of payments.
- The relocation assistance benefit is set at \$2,462 per household⁴ effective October 1, 2010. Each household has the option of declining this assistance. If the household receives relocation payments from any government-sponsored entitlement program, CDBG benefits will be reduced by that amount.
- Nothing in this guideline precludes a project sponsor or a jurisdiction from providing additional relocation assistance using other sources of funds.

⁴ The JRC may review and recommend annual increases to the benefit amount each year based on the consumer price index.

IV. GLOSSARY OF ACRONYMS

Acronym	Meaning
10YP	Ten Year Plan to End Homelessness in King County
2060	“2060 funds” are RAHP (Regional Affordable Housing Program) funds derived from a document recording fee surcharge
2331	“2331 funds” are funds dedicated to homeless housing and services, derived from a different document recording fee surcharge, specifically for counties to use to implement ten year plans to end homelessness
ADA	Americans with Disabilities Act (Federal)
ADATSA	Alcoholism and Drug Addiction Treatment and Support Act
ADC	Adult Day Care
AMI	Area Median Income (set by the federal Department of Housing and Urban Development or HUD)
APR	Annual Performance Report
CDA	Community Development Agency
CDBG	Community Development Block Grant, a federal funding program that provides communities with resources to address a wide range of unique community development needs
CDC	Centers for Disease Control and Prevention
CEH (KC)	Committee to End Homelessness in King County
CHDO	Community Housing Development Organization (Pronounced “chodo”), a HUD designation for certain non-profit organizations serving low-income communities and having low-income board members
CM	Case management
CNA	Capital needs assessment
CMI	Chronic mental illness
CoC	Continuum of Care
Commerce	Washington State Department of Commerce (Housing Trust Fund)
DD	Developmental Disability
DCHS	Department of Community and Human Services
DOC	Washington State Department of Corrections

DOE	Department of Energy (source for federal energy efficiency grants)
DOL	United State Department of Labor
DSHS	Washington State Dept of Social and Health Services
DV	Domestic violence
ESG	Emergency Shelter Grant (federal program that provides homeless persons with basic shelter and essential supportive services)
FACT	Forensic Assertive Community Treatment, a King County program to provide high intensity services in the community to prevent future incarcerations, adapted to criminal justice populations
FISH	Forensic Intensive Supportive Housing, a King County program to provide the supportive housing options needed by homeless ex-offenders and re-entering the community from jails
FPL	Federal poverty level
GA-U (or GAU)	General Assistance – Unemployable
HCD	King County Housing and Community Development Program
HFP	King County Housing Finance Program
HIPDD	Housing Innovations for Persons with Developmental Disabilities
HMIS	Homeless Management Information System
HPRP	Homelessness Prevention and Rapid Re-housing Program
HSP	Housing Stability Program
HTF	The Washington State Housing Trust Fund, administered within the state's Department of Commerce (the state's affordable housing funding program will often be referred to as "Commerce")
HUD	The US Department of Housing and Urban Development
IAG	Inter-jurisdictional Advisory Group
Impact	Impact Capital (source for short-term loans to non-profit community development organizations, including affordable housing providers)

IRS	Internal Revenue Service
KCDDD	King County Developmental Disabilities Division (part of King County DCHS - Department of Community and Human Services)
LIHTC	Low Income Housing Tax Credits
McKinney	Federal program that provides competitive and formula funding for housing and some services for homeless persons, including Emergency Shelter Grants, Supportive Housing Program, Shelter Plus Care, and Section 8 Single-Room Occupancy; McKinney covers a range of programs including emergency food and shelter, transitional and permanent housing, education, job training, mental health care, primary health care services, substance abuse treatment, and veterans' assistance services.
MHCADS	King County Mental Health, Chemical Abuse and Dependency Services Division
NAMI	National Association for Mental Illness
NOI	Net operating income
O&M	Operations and maintenance
ONC	One Night Count of the Homeless (also referred to as the PIC or Point In time Count)
PACT	Program for Assertive Community Treatment, an individualized treatment approach that offers intensive services in the community to help participants in their recovery from mental illness
PATH	Project to Assist in Transition from Homelessness
Pro forma	A multi-year operating budget for an affordable housing project
RAHP	Regional Affordable Housing Program (see “2060”)
RCW	Revised Code of Washington
RRH	Rapid Re-Housing (King County program for homeless families with children)
SHP	Supportive Housing Program, part of the McKinney program which helps develop housing and related supportive services for people moving from homelessness to independent living
SKCHS	South King Council of Human Services
SPC	Shelter Plus Care, added to HUD's programs in 1990, competitively awards funds for rental assistance for homeless persons living on the streets or in emergency shelters with severe mental illness, chronic substance abuse problems, or AIDs.

SSA	Social Security Administration
SSDI	Social Security Disability Insurance
SSI	Supplemental Security Income (Social Security)
TANF	Temporary Assistance for Needy Families
THOR	Transitional Housing Operating and Rent, a program administered through the Washington State Department of Commerce to support transitional housing with supportive services for homeless families with children
UWKC	United Way of King County, local affiliate of a national campaign organization, originally known as the Seattle Community Fund, formed to combine 43 separate fund-raising efforts among Seattle's charitable health and welfare agencies
VA	United States Department of Veterans Administration
V-HS Levy	Veterans and Human Services Levy (King County fund source for homeless housing and services)
WAC	Washington Administrative Code (pronounced "whack")
WSDDD	Washington State Division of Developmental Disabilities (part of Washington State DSHS - Department of Social and Health Services)